

## Essential Utilities

## We Are Confident on the Near &amp; 3-Yr View

Reiterate Rating: BUY | PO: 54.00 USD | Price: 48.18 USD

## Latest Guide Intact Indeed – But Only Rolls to 3-yr view

On Monday morning, WTRG management provided 2021 EPS expectations of \$1.64-1.69 - with the midpoint a touch above our prior estimate of \$1.65 and prior consensus of \$1.66 – while rolling forward their 5-7% EPS CAGR through 2023 (vs. '22 earlier). While the three year look is admittedly less than other utility peers, we expect a consistent roll forward of the outlook beyond '23 as well despite all the noise around tax credits and rate case timing. We perceive few meaningful impediments for shares despite perceived noise around tax credits this is simply rate case timing issue. See upside from further deals not contemplated in the plan, with only a ~\$60Mn annual run rate considered outside of the known transactions, providing support for a water rate base CAGR well above their organic 6-7%. Discounted ESG opportunity remains clear among water peers

## No Shortage of Muni Opportunities

With no shortage of municipal acquisition opportunities, we see the company as a prime beneficiary of further consolidation across the industry as COVID continues to pressure muni budgets and against a backdrop of favorable legislation: recall WTRG currently enjoys FMV legislation in all eight of their legacy water states. Following the acquisition of ~\$63Mn in rate base in 2020, the company has five signed APAs totaling over \$420Mn in rate base with another two winning bids totally ~\$30Mn waiting a formal agreement. We see a long trajectory of further deals and suspect a potential run rate well above historical norms going forward given the increasingly constructive backdrop.

## PO Shifts to \$54 on Latest Multiples

Our 2021 estimate comes up slightly to the midpoint of management's guidance. We update our valuation to apply the current peer multiples to our latest estimates: 27.4x for water and 14.2x for gas (vs. 25.5x and 13.9x previously). Our premiums remain unchanged and continue to reflect confidence in ability to consistently deliver, strong muni acquisition prospects, and an underappreciated ESG angle. Our PO is raised to \$54 (from \$51 previously). Bottom line, see shares as poised to re-rate higher alongside wider water sector: [The ESG Antidote: Why Water is a Win/Win.](#)

## Estimates (Dec)

(US\$)	2018A	2019A	2020E	2021E	2022E
EPS	1.41	1.47	1.57	1.67	1.80
GAAP EPS	1.41	1.47	1.57	1.67	1.82
EPS Change (YoY)	3.7%	4.3%	6.8%	6.4%	7.8%
Consensus EPS (Bloomberg)			1.58	1.67	1.80
DPS	0.86	0.92	0.99	1.06	1.13

## Valuation (Dec)

	2018A	2019A	2020E	2021E	2022E
P/E	34.2x	32.8x	30.7x	28.9x	26.8x
GAAP P/E	34.2x	32.8x	30.7x	28.9x	26.5x
Dividend Yield	1.8%	1.9%	2.0%	2.2%	2.3%
EV / EBITDA*	9.6x	37.1x	20.3x	18.6x	17.2x
Free Cash Flow Yield*	-1.1%	-1.8%	-3.6%	-3.2%	-2.5%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 9.

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Refer to important disclosures on page 10 to 12. Analyst Certification on page 7. Price Objective Basis/Risk on page 7.

12232630

Timestamp: 12 January 2021 06:08AM EST

12 January 2021

Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	51.00	54.00

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## Stock Data

Price	48.18 USD
Price Objective	54.00 USD
Date Established	12-Jan-2021
Investment Opinion	B-1-7
52-Week Range	30.40 USD - 54.52 USD
Mkt Val (mn) / Shares Out (mn)	11,817 USD / 245.3
Average Daily Value (mn)	48.16 USD
BofA Ticker / Exchange	WTRG / NYS
Bloomberg / Reuters	WTRG US / WTRG.N
ROE (2020E)	8.6%
Net Dbt to Eqty (Dec-2019A)	31.1%

ESG: Environmental Social Governance

PFA: Perfluoroalkoxy Polymer-Chemical Compound

# iQprofile<sup>SM</sup> Essential Utilities

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2018A	2019A	2020E	2021E	2022E
Return on Capital Employed	3.9%	3.5%	5.4%	5.0%	5.1%
Return on Equity	9.7%	8.9%	8.6%	8.1%	8.6%
Operating Margin	38.7%	38.4%	64.7%	66.8%	67.0%
Free Cash Flow	(127)	(212)	(425)	(375)	(300)

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash Realization Ratio	1.9x	1.3x	1.7x	1.8x	1.7x
Asset Replacement Ratio	3.4x	3.5x	3.1x	2.9x	2.7x
Tax Rate	NM	NM	10.0%	10.0%	10.0%
Net Debt-to-Equity Ratio	127.1%	31.1%	98.3%	95.5%	103.1%
Interest Cover	2.8x	3.1x	3.4x	3.4x	3.6x

## Income Statement Data (Dec)

(US\$ Millions)	2018A	2019A	2020E	2021E	2022E
Sales	835	886	959	1,006	1,077
% Change	3.7%	6.2%	8.2%	4.8%	7.1%
Gross Profit	838	890	1,555	1,661	1,785
% Change	3.5%	6.2%	74.8%	6.8%	7.5%
EBITDA	1,941	504	920	1,006	1,084
% Change	-86.4%	-74.1%	82.6%	9.4%	7.8%
Net Interest & Other Income	(99)	(100)	(181)	(200)	(202)
Net Income (Adjusted)	192	263	373	410	464
% Change	-19.9%	36.9%	42.1%	9.8%	13.1%

## Free Cash Flow Data (Dec)

(US\$ Millions)	2018A	2019A	2020E	2021E	2022E
Net Income from Cont Operations (GAAP)	192	225	400	429	470
Depreciation & Amortization	147	156	338	376	412
Change in Working Capital	NA	NA	NA	NA	NA
Deferred Taxation Charge	(15)	(10)	(75)	(75)	(75)
Other Adjustments, Net	45	(32)	(38)	(6)	(6)
Capital Expenditure	(496)	(550)	(1,050)	(1,100)	(1,100)
Free Cash Flow	-127	-212	-425	-375	-300
% Change	-31.5%	-66.5%	-100.5%	11.6%	20.1%

## Balance Sheet Data (Dec)

(US\$ Millions)	2018A	2019A	2020E	2021E	2022E
Cash & Equivalents	4	1,869	6	6	7
Trade Receivables	101	108	188	201	216
Other Current Assets	42	36	50	52	55
Property, Plant & Equipment	5,930	6,346	10,657	11,381	12,069
Other Non-Current Assets	887	1,003	1,003	1,003	1,003
Total Assets	6,964	9,362	11,905	12,644	13,350
Short-Term Debt	160	131	126	135	151
Other Current Liabilities	239	188	244	253	263
Long-Term Debt	2,398	2,943	4,594	4,909	5,485
Other Non-Current Liabilities	2,158	2,219	2,144	2,069	1,994
Total Liabilities	4,955	5,481	7,108	7,366	7,893
Total Equity	2,009	3,881	4,797	5,278	5,457
Total Equity & Liabilities	6,964	9,362	11,905	12,644	13,350

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 9.

## Company Sector

Water Utilities

## Company Description

Essential Utilities is a regulated water/gas providing water or wastewater services to 3M customers in the states of PA, OH, TX, IL, NC, NJ, IN, and WV, with PA segment being the largest contributor to the NI - along with a natural gas presence through the recently acquired Peoples Gas providing distribution services to 740,000 customers in PA, WV, and KY.

## Investment Rationale

We are Buy rated on shares of WTRG, seeing shares as poised to re-rate higher given consistent execution, acquisition upside, and increasing conviction around the premium story.

969,084

## Quarterly Earnings Estimates

	2019	2020
Q1	NA	NA
Q2	NA	NA
Q3	NA	NA
Q4	NA	NAE



## Rolling Forward the EPS CAGR with More Muni Upside

WTRG management provided 2021 EPS expectations of \$1.64-1.69 - with the midpoint a touch above our prior estimate of \$1.65 and prior consensus of \$1.66 – while rolling forward their 5-7% EPS CAGR through 2023 (vs. '22 earlier). While the three year look is admittedly less than other utility peers, we expect a consistent roll forward of the outlook beyond '23 as well despite all the noise around tax credits and rate case timing.

With the latest update, management noted plans to file a rate case at Aqua Pennsylvania later this year, keeping with their three year rate case cadence for their water biz in the state while the company continues to implement Repairs Tax accounting treatment at Peoples Gas: recall earlier guidance of \$0.08-\$0.12 benefit annually from the repairs election. After the earlier subsequent filing of the catch up component, hearings are scheduled for the end of this month with resolution expected in the second quarter. Rather than drive incremental upside to their 5-7% EPS CAGR, the filing seeks to extend the growth without a need for a rate case. As opposed to going in for new rates in 2023 to take effect in 2024, a constructive outcome from the catch up filing would benefit '23, with incremental benefits in '24, and '25 to help drive earned returns for the segment in outer years without any rate relief until 2026. On balance, we feel comfortable in management's ability to manage around lag, particularly if the company is able to opt out of going in for rates longer.

## Muni opportunities Increasingly Robust

We expect the growing pipeline of municipal opportunities to provide a long term tailwind for the water biz. Following the adoption of Fair Market Value legislation in TX and VA, the company now has the constructive legislation in all eight states of their water footprint. We expect this to help further accelerate consolidation in the industry as muni budgets are further flex'd from the crisis - and any further resulting acquisitions would be upside to mgmt's latest extended targets with guidance only assuming ~\$60Mn in annual tuck ins through the forecast period (this is relative to ~\$420 Mn of ratebase acquisitions pending). We stress clear positive re-rating potential within this guide range – and see this as also helping to take pressure off execution at Delcora too.

### De-risking DELCORA

Late last year, the Delaware County Court of Common Pleas issued an order supporting the pending acquisition of DELCORA by rejecting the county's attempt to block the sale. The order ruled the asset purchase agreement is fully binding and enforceable and that the funds to offset DELCORA customer bills is legal – helping derisk the deal and mitigating prior concerns about the ability for the transaction to close. While we perceive there could still yet be a potential appeal around the decision, the order supports the anticipated closing timeline for the transaction: the Recommended Decision from the PA ALJ is anticipated next week (1/20/21), setting up a decision by the commission in early March and a transaction close in early 2Q. Final resolution should help alleviate some overhang given the forward that needs to be pulled by August.

Overall, we think the \$420Mn in rate base opportunities from signed APAs is should generate ~\$21Mn in earnings with further muni opportunities still to materialize (*this is roughly +4% to EPS and should help mgmt. execute towards upper end of targeted range*). We see upside to the plan given the more conservative approach to guide, and expect shares to rerate higher relative to AWK as investors continue to appreciate the premium story amid consistent management execution.



We reiterate our Buy rating on shares of WTRG following the latest guidance update. We have increasing conviction in management's ability to consistently deliver and see the company as a prime beneficiary of further consolidation across the water industry. – while the ongoing docket for the catch up component of Repairs Tax treatment in PA should provide further latitude to stay out of rate cases for the gas segment. We struggle to reconcile the sharp discount to peer AWK and see the overhang from gas as nearsighted, particularly given the pipeline of water opp's to further dilute gas as a percentage of their biz. With a growing focus on ESG – and mgmt.'s proactive action around PFAs and emission reductions – we see this an underappreciated angle not reflected at the current valuation.

## WTRG 4Q20 Earnings Walk

We forecast 4Q20 adjusted EPS of \$0.45 compared to 4Q19 adjusted results of \$0.34 and consensus of \$0.45.

- **Key Drivers:** The primary driver of the quarter is the contribution from the Peoples Gas acquisition after closing the transaction earlier this year with additional dilution offsetting growth at the legacy water biz.

**Table 1: 4Q20 EPS Walk**

WTRG 4Q20 Earnings Walk		EPS
WTRG 4Q19 EPS	\$	0.34
Aqua		0.03
Peoples Gas		0.11
Dilution		-0.03
4Q20 BofAe Adjusted EPS	\$	0.45
Consensus		\$0.45
WTRG Guidance		\$1.53-\$1.58
2020 Consensus		\$1.58
4Q20 Adjusted Shares Outstanding		254
4Q19 Adjusted Shares Outstanding		233

Source: BofA Global Research estimates, company report, Bloomberg



## EPS Estimates: already towards top end of 5-7%

The exhibit below reflects our latest EPS Estimates. Our 2021 estimates come up slightly to the midpoint of management's newly rolled out guidance of \$1.64-\$1.69. Longer term, we continue to model to the high end of their 5-7% EPS CAGR. We perceive further upside from a likely acceleration in industry consolidation out of the pandemic as municipal budgets are further stretched and constructive legislation continues to enable transactions. With prospective EPS growth likely more consistent than earlier trajectory (which proved more 'lumpy,' we perceive the trajectory as ever more appealing for those seeking a de-risked outlook).

*We continue to see positive bias on EPS execution as 5-7% could be implicitly reset off high end of '20 EPS guide – and see our estimates already at the top end of the EPS CAGR without the full inclusion of contemplated acquisitions (~\$1.90 is high end of 5-7% for '23 off \$1.55 midpoint). While financing details are pending, we see clear latitude to achieve high end and even re-base slightly higher too.*

**Table 2: EPS Estimates**

EPS Estimates	2020E	2021E	2022E	2023E
PA	\$0.75	\$0.76	\$0.88	\$0.94
OH	\$0.07	\$0.07	\$0.07	\$0.08
IL	\$0.07	\$0.08	\$0.08	\$0.09
TX	\$0.06	\$0.07	\$0.07	\$0.07
NC	\$0.04	\$0.04	\$0.05	\$0.05
Other States	\$0.07	\$0.07	\$0.08	\$0.08
Water Utility	1.06	1.09	1.23	1.31
Peoples Gas	0.62	0.67	0.71	0.76
Parent & Other	-0.10	-0.10	-0.13	-0.14
EPS	1.57	1.67	1.80	1.92
YoY Growth	7%	6%	8%	7%
Guidance	1.53-1.58	1.64-1.69		
Fully Diluted Shares O/S	254	258	261	261
Previous EPS	\$1.56	\$1.65	\$1.80	
Consensus	1.58	1.66	1.80	
DPS	0.99	1.06	1.13	1.21
Payout Ratio	63%	63%	63%	63%
Guidance		60-65%		

Source: BofA Global Research, Bloomberg



## Valuation: PO Raised to \$54 on Multiples

The exhibit below reflects our latest SOTP. We update our valuation to apply the current peer multiples to our latest estimates: 27.4x for water and 14.2x for gas (vs. 25.5x and 13.9x previously). Our premiums remain unchanged and continue to reflect confidence in ability to consistently deliver, strong muni acquisition prospects, and an underappreciated ESG angle. Our PO ultimately shifts to \$54 (from \$51 previously). Reiterate Buy given deep discount and upside catalysts.

**Table 3: SOTP**

Water Utilities	2023 EPS		P/E Multiple				Equity Value		
		Peer	Prem/Disc	Low	Base	High	Low	Base	High
Peer Water P/E		27.4x							
Group EPS '18-'22 CAGR		8.30%							
1-year forward group Water multiple		29.7x							
<b>Water Utilities</b>									
States	2023E EPS ROE embedded								
PA	\$0.94	10.0%	4.0x	32.7x	33.7x	34.7x	\$31	\$32	\$33
OH	\$0.08	9.2%	2.0x	30.7x	31.7x	32.7x	\$2	\$2	\$3
IL	\$0.09	9.1%	3.0x	31.7x	32.7x	33.7x	\$3	\$3	\$3
TX	\$0.07	10.0%	2.0x	30.7x	31.7x	32.7x	\$2	\$2	\$2
NC	\$0.05	9.2%	2.0x	30.7x	31.7x	32.7x	\$1	\$2	\$2
Other (including acquisitions)	\$0.08	9.2%	0.0x	28.7x	29.7x	30.7x	\$2	\$2	\$3
<b>Water utilities total (ex-Peoples)</b>	<b>\$1.31</b>			<b>32.1x</b>	<b>33.1x</b>	<b>34.1x</b>	<b>\$42</b>	<b>\$43</b>	<b>\$45</b>
<b>Gas Utilities</b>									
Peer Gas P/E		14.2x							
Group EPS '18-'22 CAGR		5.80%							
Peoples Gas Multiple		15.0x							
	2023E EPS ROE embedded								
<b>Peoples Gas</b>	<b>\$0.76</b>	<b>11.9%</b>	<b>3.0x</b>	<b>17.0x</b>	<b>18.0x</b>	<b>19.0x</b>	<b>\$13</b>	<b>\$14</b>	<b>\$14</b>
<b>HoldCo Debt</b>									
(50% Netting out Debt) @ Aqua Parent			-985	50%			(\$492)	(\$492)	(\$492)
(50% P/E multiple on Interest Exp)			4.3%	50%			(\$444)	(\$412)	(\$482)
50/50 Weighted Drag from HoldCo Drag							(\$937)	(\$904)	(\$975)
Fully Diluted Shares Outstanding							261	261	261
<b>PO</b>								<b>\$54.00</b>	
Current Price								\$48.18	
Dividend Yield								2.2%	
<b>Total Potential Return</b>								<b>14.27%</b>	

Source: BofA Global Research, Bloomberg



## Price objective basis & risk

### Essential Utilities (WTRG)

Our price objective is \$54 based on our SOTP approach, applying a peer multiple to the water utility and gas utility, respectively and accounting for expected growth for each sector. These peer multiples are 27.4x and 14.2x. We apply a 3.0x premium to Peoples Gas given the organic growth opportunities, while applying a variety of premiums to its water (2x previously) subsidiaries: +4x to PA, +3x to IL, +2x to OH, +2x for TX, +2x for OH, and no premium for balance of biz. We net out parent debt and parent interest expense associated with parent debt 50/50 weighed basis.

Risks to the downside are acquisition risk, deteriorating regulatory outcomes, and risks from a lower rerating following the diversification into gas.

## Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.



**North American Utilities, Alternative Energy & LNG Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	AES	AES	AES US	Julien Dumoulin-Smith
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AllaGas	YALA	ALA CN	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Richard Ciciarelli, CFA
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Enphase Energy	ENPH	ENPH US	Aric Li
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Spire	SR	SR US	Richard Ciciarelli, CFA
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
<b>NEUTRAL</b>				
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	NextDecade	NEXT	NEXT US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Richard Ciciarelli, CFA
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	TransAlta Renewables Inc.	YRNW	RNW CN	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Richard Ciciarelli, CFA
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
<b>UNDERPERFORM</b>				
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Richard Ciciarelli, CFA
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith





**North American Utilities, Alternative Energy & LNG Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Richard Ciciarelli, CFA
	Northwest Natural Holdings	NWN	NWN US	Richard Ciciarelli, CFA
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	South Jersey Industries	SJI	SJI US	Richard Ciciarelli, CFA
	Southwest Gas Holdings	SWX	SWX US	Richard Ciciarelli, CFA
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

**iQmethod<sup>SM</sup> Measures Definitions**

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill Amortization}$
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
<b>Quality of Earnings</b>		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
<b>Valuation Toolkit</b>		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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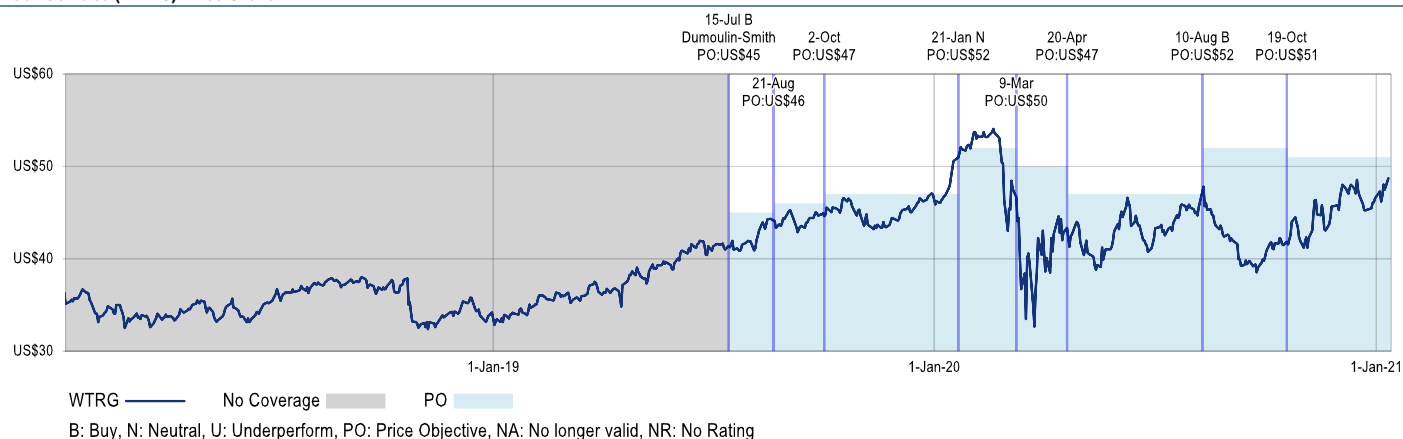
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### Essential Utilities (WTRG) Price Chart



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### Equity Investment Rating Distribution: Utilities Group (as of 31 Dec 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	80	51.61%	Buy	58	72.50%
Hold	37	23.87%	Hold	28	75.68%
Sell	38	24.52%	Sell	22	57.89%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2020)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1863	56.90%	Buy	1185	63.61%
Hold	686	20.95%	Hold	426	62.10%
Sell	725	22.14%	Sell	358	49.38%

\* Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Underperform	N/A	≥ 20%

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